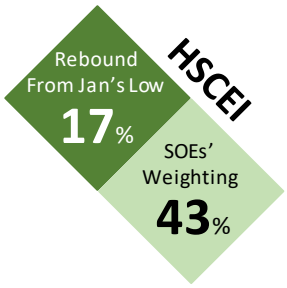
恒生指數
HANG SENG INDEXES

Index Flash

20 March 2024

HSCEI Outperformed over the Past Two Months as Mainland Companies Rebounded from January's Low



Hong Kong stock market rebounded significantly from January's low as mainland companies led the advance on the back of improved sentiment driven by supportive policies. The Hang Seng China Enterprises Index ('HSCEI'), which reflects the overall performance of Mainland securities listed in Hong Kong, outperformed the broader market in the recent rally.

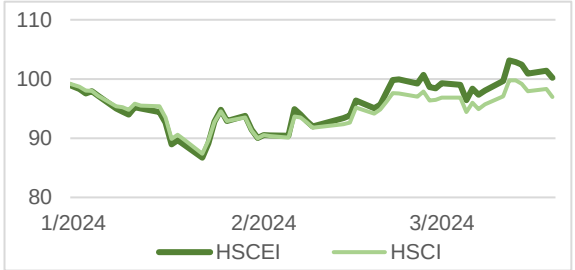
Hong Kong Saw 8 Consecutive Months of Southbound Inflows

In anticipation of the prominent meetings of the "Two Sessions", which refers to the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress (NPC), investors' sentiment on the Hong Kong stock market has notably improved. As of 19 March 2024, the HSCEI climbed by 1.8% so far in March, after a 9.3% gain in February (largest monthly gain since January 2023), **bringing the rebound from January's low to almost 17%**. Notably, the HSCEI increased by 0.2% year-to-date (exhibit 1) while the broader market as represented by the Hang Seng Composite Index ('HSCI') posted a decline of 3%, thanks to the **outperformance of Mainland companies and increasing net inflows into the Mainland and Hong Kong market over the past few months**. Hong Kong stock market has seen rising monthly net inflows through the Southbound channel since the beginning of the year, with the monthly inflow in March so far reaching almost HKD52 billion, which poised to be the highest monthly inflow since September 2023. Additionally, the **Southbound channel posted 8 consecutive months of positive inflows as of February 2024 (exhibit 2)**, while the **Northbound YTD inflow as of 19 March 2024 has already surpassed the full year inflow recorded in 2023**.

Following a 5.2% growth in gross domestic product (GDP) in 2023 (exhibit 3), the growth target for 2024 was set at "around 5", **which should provide a favorable backdrop for mainland companies**. According to the 2024 Government Work Report released at the NPC, **"accelerating the development of new quality productive forces" was listed as the first priority** among the 10 key tasks for 2024. The phrase "new quality productive forces", which means innovation and advanced productivity, represents a shift from traditional economic growth models, to a more high-tech, efficient and high-quality productivity method, including but not only limited to high-tech sectors.

Launched in 1994, the HSCEI is going to turn 30 years old this August. As a flagship index that aims to track the performance of the **50 largest and most liquid Mainland companies listed in Hong Kong**, the HSCEI stands to benefit from China's economy transition such as the "new quality productive forces" and market recovery. Since the revamp in 2018-2019, the HSCEI started to include more "new economy" companies as constituents, **information technology has now become the largest industry with a weighting of 35% (exhibit 4)**. Separately, state-owned enterprises have become one of the major market focuses in recent years as a result of deepening SOE reforms. Investors' growing interests in more market-driven and shareholder-friendly SOEs has pushed their stock prices higher, which is positive to the HSCEI, as **SOEs made up of 43% of the Mainland companies benchmark's weighting**, as at the end of February 2024.

Exhibit 1: HSCEI Outperformed the Market



Source: Hang Seng Indexes Company; Rebased to 100 on 29 December 2023; Data as of 19 March 2024

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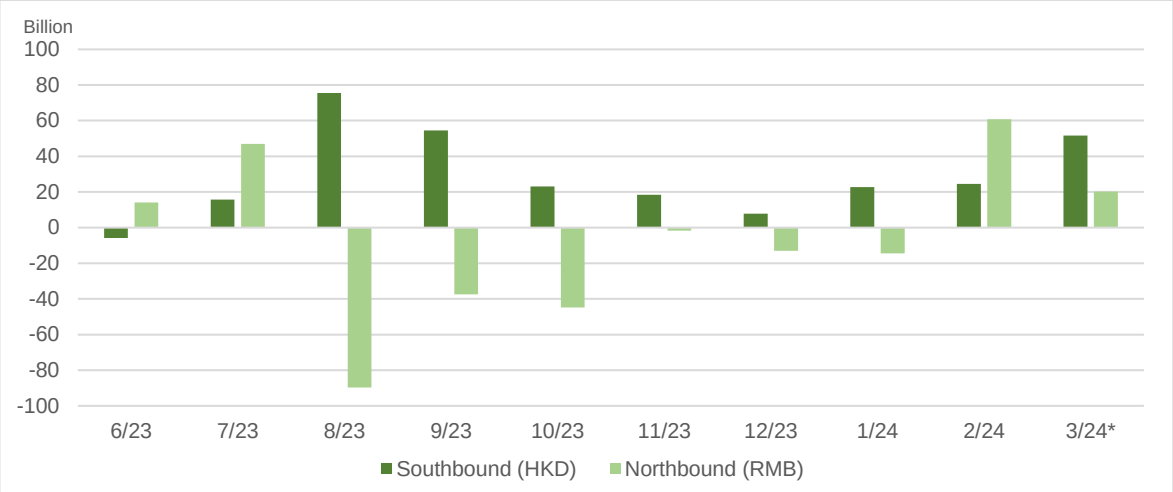
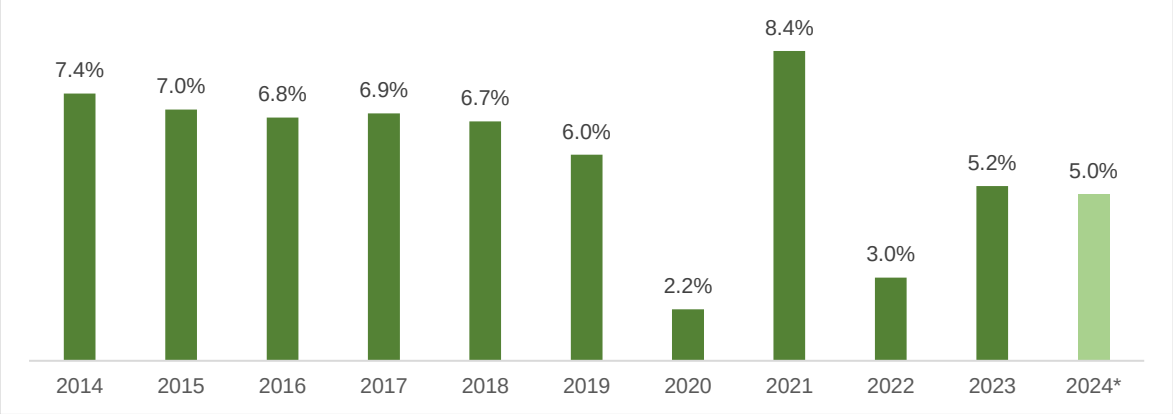
Exhibit 2: Stock Connect Net Inflows



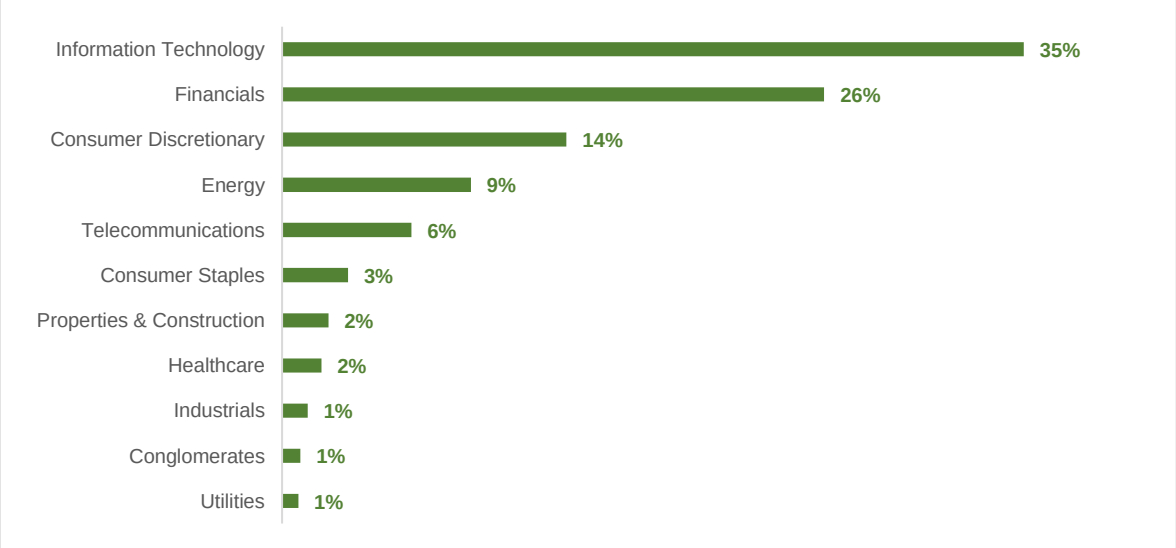
Source: WIND, Hang Seng Indexes Company; *Data as of 19 March 2024

Exhibit 3: China's GDP Growth



Source: National Bureau of Statistics of China, Government Work Report; * Growth target; Data as of 5 March 2024

Exhibit 4: HSCEI's Industry Weightings



Source: Hang Seng Indexes Company; Data as of 29 February 2024

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